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SUBJECT: SOY PRODUCERS CRITICIZE GOB'S FAILURE TO PROTECT
ANDEAN MARKETS

REF: A. LA PAZ 438

[B](#). 05 LA PAZ 3590

[C](#). 05 LA PAZ 3483

[1](#). (U) Summary: Bolivian soy producers have criticized the GOB for failing to protect Andean markets, saying officials should have raised objections to provisions governing the treatment of U.S. exports of soy and its derivatives in free trade agreements with Colombia and Peru. Producers say they stand to incur substantial losses if sales in neighboring countries are undercut by cheaper U.S. exports (ref A) and warn that the markets' disappearance and related job losses could weaken Bolivia's social, political, and economic stability. While their assessment of the economic impact of lost markets appears valid, related claims that small farmers will abandon soy for coca are exaggerated. End summary.

[2](#). (U) Bolivian soy producers, most based in the department of Santa Cruz, have harshly criticized the Evo Morales administration for failing to protect Andean markets, saying GOB officials should have raised strong objections with their Andean neighbors to provisions governing the treatment of U.S. exports of soy and its derivatives in recently signed free trade agreements with Colombia and Peru. The head of the soy producers' association provocatively said that if Bolivia's soy industry falls, the Bolivian government will soon follow. Under the agreements, U.S. exports of soybeans and meal will receive immediate duty-free treatment upon implementation, with exports of crude and refined soy oils to Colombia benefiting from ten- and five-year linear tariff phase-outs, respectively. U.S. exports of crude soy oils to Peru, meanwhile, will receive immediate duty-free treatment upon implementation, with exports of refined oils benefiting from a ten-year linear tariff phase-out. The treatment will make U.S. exports significantly more competitive than they were under Andean countries' previous 4-20 percent tariffs on third-country soy products.

[3](#). (U) Bolivian industry representatives say they stand to incur substantial losses if sales of soy and its derivatives

in Colombia and neighboring countries are undercut by cheaper U.S. exports (ref A), noting that Colombia, Venezuela, and Peru account for approximately 90 percent of average annual soy exports of \$300 million. According to Bolivia's National Statistics Institute, exports of soy and its derivatives to Colombia totaled \$120 million in 2005, or 40 percent of total soy exports. Sales in Venezuela were slightly higher, at \$122 million, while sales in Peru were significantly lower, at \$31.4 million. Colombia is the principal buyer of Bolivian exports of crude and refined soy oils and represents a significant market for soybeans and meal, accounting for approximately 67 percent of Bolivia's soy oil exports and 28 percent of its beans and meal exports.

¶4. (U) As one of Bolivia's principal export commodities, producers say, soy and its derivatives play a crucial role in the economy, accounting for approximately 15 percent of total estimated exports of \$2.08 billion in 2005 and directly employing some 40,000 to 60,000 people, mostly in the department of Santa Cruz. Industry representatives note that declining exports and related job losses could weaken Bolivia's social, political, and economic stability, frequently arguing that small farmers will turn to coca cultivation if soy is no longer profitable.

¶5. (SBU) Comment: The GOB has not fared well in public debate, as the private sector has rightly pointed out that the Morales administration has done nothing to pursue a free trade agreement with the United States or secure additional export markets. Vague assurances of opportunities in China and elsewhere have fallen flat. Given the importance of soy and its derivatives for Bolivian exporters and the overall economy, producers' assessment of the economic impact of lost markets appears valid. Some producers, especially small

farmers, will be unable to compete, and jobs will disappear, leaving many individuals searching for alternatives. There is little evidence, however, that producers will turn to coca cultivation as a result. This claim, frequently made by industry representatives, seems more a ploy to try to moderate U.S. demands for preferential treatment of U.S. soy exports than anything else. We would note that Bolivian producers will not be affected by new trade preferences until the agreements are implemented, which gives them a window in which to explore new markets. End comment.
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